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Summary of the economic and social survey of Asia and the Pacific, 2002

Summary

Gross domestic product (GDP) growth declined sharply in 2001 globally and in the region of the Economic and Social Commission for Asia and the Pacific (ESCAP) and world trade growth also slowed in tandem. The slowdown was particularly evident in the information and communication technology sector and economies with a preponderance of ICT-related manufacturing activities and with high trade-to-GDP ratios, as in East and South-East Asia, were most affected by the slowdown. While some economies and subregions remained relatively immune initially, the dramatic suddenness of the global slowdown and its intensity slowed GDP growth in these economies and subregions as well. The events of 11 September 2001 aggravated the slowdown through a loss of business and consumer confidence.

As at early March 2002, signs of a global and regional upturn are mixed. However, on balance, evidence of a gentle recovery in both the global and regional economies is becoming more discernible. The majority of ESCAP economies are expected to exceed their 2001 GDP growth rates in 2002. A benign inflationary environment, spare capacity and comfortable external positions indicate that most economies in the region have considerable leeway to compensate for the loss of external demand through domestic stimulus measures. However, such measures should not put at risk sound macroeconomic fundamentals over the medium term.

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The slowdown in 2001 needs to be seen against the background of achieving the millennium development goals in the areas of poverty eradication, universal primary education, promotion of gender equality and empowerment of women, reduction of child mortality and improvement of maternal health. In this regard, there are grounds for optimism that most of the goals can be achieved in the ESCAP region. However, this would require in-depth analysis and the preparation of the necessary policy strategies. The achievement of the goals in the least developed countries depends critically upon donor countries accepting the need to increase official development assistance to 0.7 per cent of gross national product.

The present document is based on the *Economic and Social Survey of Asia and the Pacific 2002*.

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I. Implications of recent economic and social developments

1. In early 2001, the ESCAP secretariat had forecast that gross domestic product (GDP) growth in ESCAP developing economies would decline by around 1 percentage point to 6.0 per cent in 2001 and that there would be a slight rise in inflation in those economies. In the three developed countries of the region, output expansion would be just over 2 per cent in 2001 compared with 1.8 per cent in 2000, but inflation would be minimal. In the event, both forecasts proved to be off the mark. GDP growth declined by 3.9 percentage points in the developing economies and by over 2 percentage points in the developed countries. Inflationary pressures were marginally more subdued than had been forecast for both groups of countries (see table).

2. The poorer GDP outcome in 2001 was associated with a sharp downturn in world trade growth, from over 12 per cent in 2000 to 1 per cent in 2001. This was triggered by a decline in information and communication technology (ICT) imports by the United States of America, whose knock-on effects spread rapidly to ICT component suppliers, particularly those in East and South-East Asia. Although some economies and subregions, for instance, China, India, Australia, New Zealand and the economies in transition in North and Central Asia remained relatively immune, the slowdown was not restricted to ICT but subsequently spread to a broader range of manufacturing activities and services. Economies with high trade-to-GDP ratios were especially vulnerable to the downturn in external demand. The events of 11 September 2001, in turn, significantly intensified the downturn, while it translated itself into only slightly higher inflation in the developing economies. Among the ESCAP developed countries, Japan experienced deflation, Australia recorded lower inflation and New Zealand saw only a modest rise in prices. Excess capacity and more affordable commodity and energy prices were major factors in the more favourable price environment that prevailed in most parts of the region in 2001.

3. The dramatic suddenness of the global downturn in 2001 and its surprising severity meant that countervailing measures in the form of growth-enhancing domestic policies, such as a stimulative fiscal and monetary policy stance, proved to be insufficient. A number of countries had already introduced fiscal stimulus measures in their 2001 budgets to sustain the 2000 recovery. As the slowdown intensified, fiscal measures were supported by more accommodative monetary policies in the form of lower interest rates in most economies of the region.

4. As at early March 2002, signs of a global and regional upturn were mixed, although evidence of a gentle recovery was becoming more discernible. While the majority of the ESCAP economies are expected to exceed their 2001 GDP growth rates in 2002, the improvement is likely to be modest, about 1.1 percentage points higher in 2002 than in 2001 for the ESCAP developing economies as a whole. Any upturn in the ESCAP developed countries in 2002 would be moderate. It is forecast that Japan will experience another contraction in output in 2002.

5. The recovery in 2002 is likely to be conditioned by both external and domestic factors. Externally, the overall economic environment in the United States remains uncertain by and large, despite some positive signs on the horizon, such as improved consumer confidence and a significant increase in output in the last quarter of 2001. The Federal Reserve Board has stated that the United States economy is close to a turning point and a moderate recovery is expected in 2002. Japan is in the throes of yet another recession, the third in the last decade, while the European Union, on present evidence, is unlikely to match its 2001 performance in 2002. Domestically, most economies continue to grapple with the inevitable trade-offs involved in running loose fiscal and monetary policies in the short term against the need to maintain sound macroeconomic fundamentals over the medium term. Although low inflation and spare capacity in many economies facilitate the implementation of policy measures to stimulate domestic demand, the downturn in external demand cannot be fully compensated on a sustained basis by domestic measures alone in the short term.

6. Of the various ESCAP subregions, South-East Asia was the most severely affected by the global slowdown in 2001, experiencing a reduction in aggregate growth of more than 4 percentage points. Not only is the subregion particularly vulnerable to external developments on account of the high trade-to-GDP ratios of several economies, but a number of them also have a significant concentration of ICT-related

Selected economies of the ESCAP region: rates of economic growth and inflation, 2000-2004

(Percentage)

	Real GDP					Inflation[a]				
	2000	2001[b]	2002[c]	2003[c]	2004[c]	2000	2001[b]	2002[c]	2003[c]	2004[c]
Developing economies of the ESCAP region[d]	7.0	3.1	4.2	5.4	5.9	2.1	3.1	3.0	3.4	3.6
South and South-West Asia[e]	4.5	4.6	5.5	6.0	6.6	6.1	6.9	7.3	6.7	6.3
Bangladesh	5.9	6.0	4.3	..	..	3.4	1.6	4.0	..	..
India	4.0	5.4	6.0	6.3	7.0	3.7	4.2	5.0	5.0	4.5
Iran (Islamic Republic of)	5.9	5.5	6.5	6.5	6.1	12.6	12.0	14.0	14.0	11.5
Nepal	6.4	5.9	5.0	6.0	6.5	3.5	2.4	4.5	5.0	5.0
Pakistan	3.9	2.6	4.0	4.7	5.2	3.6	4.7	5.0	5.0	5.0
Sri Lanka	6.0	0.9	3.3	5.5	5.9	6.2	13.0	9.1	7.5	6.6
Turkey	7.1	-8.4	2.0	4.4	4.1	54.9	65.0	51.2	43.0	34.9
South-East Asia	6.5	1.8	3.2	4.4	4.6	2.3	5.0	4.3	3.9	3.9
Cambodia	5.4	5.3	4.5	6.3	6.0	-0.8	-0.6	3.0	5.0	5.0
Indonesia	4.8	3.3	3.8	4.9	4.6	3.7	11.1	9.8	6.3	5.3
Lao People's Democratic Republic	5.7	6.4	5.0	..	..	25.1	9.0	12.0	15.0	..
Malaysia	8.3	0.4	3.2	5.1	6.1	1.6	1.5	1.6	3.4	4.0
Myanmar	13.6	5.0	5.1	5.9	..	-0.1	9.6	..	..	..
Philippines	4.0	3.4	4.0	3.4	4.0	4.4	6.3	5.7	5.3	5.0
Singapore	9.9	-2.0	2.0	5.8	5.7	1.4	1.0	0.8	1.5	1.7
Thailand	4.4	1.5	2.5	2.5	3.5	1.6	1.6	1.8	2.5	3.1
Viet Nam	6.8	6.8	6.1	6.8	7.3	-1.7	-0.1	2.0	3.8	7.6
East and North-East Asia	8.0	3.2	4.3	5.7	6.2	0.8	1.1	1.2	2.1	2.7
China	8.0	7.3	7.0	7.5	7.6	0.4	0.7	1.1	2.2	2.5
Hong Kong, China	10.5	-0.2	1.0	6.0	6.3	-3.8	-1.6	-1.0	2.5	4.0
Mongolia	1.1	1.4	4.0	5.0	6.0	11.8	8.8	6.0	5.0	5.0
Republic of Korea	8.8	3.0	3.9	4.6	5.0	2.3	3.2	2.8	2.6	3.4
Taiwan Province of China	5.9	-2.2	1.7	4.0	5.4	1.3	0.0	0.0	1.0	1.5
Pacific island economies	-1.0	-1.2	2.7	2.7	2.5	7.1	7.2	8.2	7.1	5.9
Cook Islands	3.2	3.2	3.3	..	..	2.0	1.0	1.0	..	..
Fiji	-2.8	1.5	5.0	4.0	3.0	3.0	2.3	2.5	3.0	3.0
Papua New Guinea	-0.8	-3.3	1.2	1.8	2.1	10.0	10.3	12.0	10.0	8.0
Samoa	7.3	6.5	4.8	4.3	4.1	1.0	1.5	2.0	2.0	2.0
Solomon Islands	-14.5	-7.0	5.5	3.0	2.0	6.0	8.0	10.0	6.0	5.0
Tonga	6.1	3.0	2.5	2.9	3.0	7.1	8.0	3.0	3.0	3.0
Vanuatu	4.0	2.0	3.0	3.5	3.5	4.1	3.0	2.0	2.5	2.5

	Real GDP					Inflation[a]				
	2000	2001[b]	2002[c]	2003[c]	2004[c]	2000	2001[b]	2002[c]	2003[c]	2004[c]
Developed economies of the ESCAP region	2.5	-0.2	-0.9	1.6	1.5	-0.4	-0.4	-0.7	-0.3	0.2
Australia	3.8	4.1	3.0	4.1	3.6	4.5	4.2	2.3	2.4	2.9
Japan	2.4	-0.5	-1.2	1.4	1.4	-0.7	-0.7	-0.9	-0.5	0.0
New Zealand	3.8	2.6	1.9	3.3	2.0	2.6	2.7	2.1	1.8	1.8
Memo:										
Kazakhstan	9.6	13.0	6.3	6.8	7.2	13.5	8.4	6.9	6.7	7.0
Russian Federation	8.3	5.7	3.5	4.0	4.3	20.8	18.6	15.5	13.0	11.0
Uzbekistan	4.0	4.0	2.5	3.0	..	24.9	25.6	25.5	23.1	..

Sources: ESCAP, based on International Monetary Fund, *International Financial Statistics*, vol. LV, No. 1 (January 2002); Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries 2001* (Oxford University Press, 2001) and *Asian Development Outlook 2001* (Oxford University Press, 2001); Economist Intelligence Unit, *Country Reports and Country Forecasts* (London, 2001 and 2002), various issues; and national sources.

Note: The table was based on data and information available up to 15 March 2002.

[a] Changes in the consumer price index.

[b] Estimate.

[c] Forecast/target.

[d] Based on data for 29 developing economies representing about 95 per cent of the population of the region (excluding the Central Asian republics); GDP at market prices in United States dollars in 1995 have been used as weights to calculate the regional and subregional growth rates.

[e] The estimates and forecasts for countries relate to fiscal years defined as follows: fiscal year 2001/02 = 2001 for India and the Islamic Republic of Iran; and fiscal year 2000/01 = 2001 for Bangladesh, Nepal and Pakistan.

exports, which is the sector that triggered the global slowdown. Intraregional trade failed to provide a cushion as much of it consists of trade in ICT components destined eventually for the United States and Japan. Most economies in the subregion experienced sharply reduced growth, while Singapore's GDP actually contracted in 2001. In addition, softer prices for commodities and energy products intensified the decline in domestic demand in the producing countries. Viet Nam was a notable exception in the subregion and maintained growth at the same pace as that achieved in 2000.

7. The outlook for South-East Asia in 2002 is directly linked to developments in the global economy. In the short term, the subregion cannot compensate for the loss in external demand entirely through measures to stimulate domestic demand. Moreover, the September 2001 events and their fallout have almost certainly worsened the global outlook, thus necessitating a stronger domestic stimulus than would otherwise have been needed. Additionally, in some countries of the subregion, slow progress in the reform and restructuring of the corporate and enterprise sector is likely to hinder the growth of domestic economic activity.

8. In East and North-East Asia, China remained largely immune to the global slowdown in 2001. Although export growth declined sharply, this was offset by strong domestic demand and public investment expenditure. The country's anticipated accession to the World Trade Organization also stimulated robust flows of foreign direct investment in 2001. As a result, the GDP growth rate was only marginally below that recorded in 2000, but was still among the highest rates in the ESCAP region. Simultaneously, external reserves had built up to $214 billion by the end of 2001 and were the second highest in the world. In sharp contrast, the Republic of Korea, Hong Kong, China, and Taiwan Province of China were significantly affected by the global downturn, the last two economies actually sliding into a recession. The Republic of Korea's larger domestic market and more diversified exports prevented the economy from contracting in 2001, although there was a considerable rise in unemployment.

9. The outlook remains positive for China in 2002 and, notwithstanding a smaller contribution from net exports, GDP growth is expected to remain strong, driven by rising domestic consumption and investment. With muted inflationary pressures, an expansionary fiscal stance poses few macroeconomic risks in the short term. Growth in the Republic of Korea in 2002 should exceed the 2001 rate as domestic stimulus begins to have a positive effect on output. The outlook for both Hong Kong, China, and Taiwan Province of China, however, is directly linked to recovery in the ICT sector, for which most industry experts are forecasting a moderate rebound in the second half of 2002. However, some degree of consolidation within the ICT sector in those economies may be necessary in the interim to enhance profitability, in view of the considerable excess capacity in this sector.

10. The global slowdown in 2001, combined with continuing domestic constraints, had some negative impact on the economies of South and South-West Asia, with the notable exception of India and, to a lesser extent, Bangladesh, which saw an increase in the GDP growth rate between 2000 and 2001. India's economy, for example, benefited from a strong performance in agriculture and stable prices, while industrial production tended to remain flat. However, GDP growth, at 5.4 per cent in 2001, exceeded the rate achieved in 2000. By far the worst affected was Turkey, which experienced a large output contraction. However, Turkey's economic woes were caused entirely by a major domestic financial crisis, which led to a massive outflow of capital, the collapse of the exchange rate and a huge rise in inflation. The crisis manifested itself in a large fall in industrial production and exports in 2001. Export growth declined virtually throughout the entire subregion. Pakistan, in particular, was adversely affected by the war in Afghanistan, which undermined investor confidence and added to both public and private costs, such as expenditure on refugees and higher premiums and surcharges for war-risk insurance on shipping in the Arabian Sea. Sri Lanka's GDP growth experienced a major decline in 2001, caused primarily by a contraction in agricultural output. This was due to a large fall in rice production.

11. From the perspective of 2002, the outlook for this subregion is uncertain. South Asian economies in general have relatively low trade-to-GDP ratios. Hence, while the external environment does not have the same impact on overall economic performance as it does elsewhere in the region, a weakening of global growth would constrain economic activities in the subregion to some extent. The lower interest rates are clearly a positive development, although any extra stimulus from the budget needs to be balanced against the need to preserve price stability and foster fiscal consolidation; the latter remains a critical issue, even though both India and Sri Lanka are now making good progress with privatization. Slow progress in fiscal consolidation has led to the accumulation of a large burden of domestic debt, which is acting as a major drag on medium-term GDP growth by pre-empting large revenues for debt servicing. Sri Lanka and Turkey are expected to show a significant improvement in GDP growth in 2002 as the 2001 crisis abates and tourism recovers from the September 2001 events. In the Islamic Republic of Iran and Pakistan, higher GDP growth is forecast to follow the ending of drought and recovery of agricultural output.

12. Uniquely within the ESCAP region, the Russian Federation and other economies in North and Central Asia remained mostly unaffected by both the global slowdown and the September 2001 events. The momentum of GDP growth, driven by private consumption and exports, was maintained in 2001 despite the softening of the prices for energy and some commodities. The strong economic performance, in turn, facilitated progress with structural reform and fiscal consolidation through improved revenue collection and expenditure rationalization. In 2001, aggregate output in the Russian Federation is estimated to rise by an impressive figure of over 5 per cent, albeit still accompanied by relatively high inflation, following an increase of 7.6 per cent in 2000. Such robust growth helped to sustain the reinvigorated trade flows within the Commonwealth of Independent States. The prospects for 2002 are broadly positive, but the likelihood of softer energy and commodity prices in the event that global economic recovery in 2002 is delayed, or is weaker than currently anticipated, is an element of uncertainty in the near term.

13. The Pacific island economies were adversely affected by both the 2001 global downturn and the September 2001 events, though to a somewhat lesser extent than the least developed countries. In those economies, lower prices for commodities were the main influence on agricultural performance, agriculture being the principal domestic economic activity in most parts of the subregion. However, the fallout from the

September events was, by and large, less severe in the subregion since the United States is not a major source of tourists for most of these economies, which, in addition, are perceived as relatively low-risk destinations. Moreover, the economic slowdown in New Zealand was moderate in comparison with that of the United States, and that also helped the Pacific island economies. However, civil disturbances in some countries had a negative bearing on economic and export activities.

14. As is self-evident, the outlook for the subregion remains uncertain. A strong recovery in the United States would generate important spillover effects on global demand, strengthen commodity prices, improve agricultural incomes and boost domestic consumption and economic activities more generally. However, in a number of Pacific island countries, GDP performance is also dependent upon the solution of civil and political problems.

15. Many least developed countries were directly affected by both the global slowdown in 2001 and the 11 September events; the global slowdown had a negative impact on commodity prices and earnings and the 11 September events on tourism earnings. Most of those countries rely on commodities or tourism, or both, for a major share of their GDP. In addition, the weakness in commodity prices and decline in tourism receipts in 2001 widened the current account and fiscal deficits at a time when official development assistance (ODA) flows were coming under some additional pressure owing to the urgent humanitarian and reconstruction needs of Afghanistan. The critical issue for the least developed countries in 2002 is thus a significant upturn in the global economy so that increases in external demand for commodities lead to firmer prices, reinforced by higher ODA inflows. With regard to the latter, the overall climate of opinion in the wake of the 11 September events appears to be more positive than it has been for some time. However, whether that will translate into higher ODA flows in the short term remains to be seen.

16. The performance of the developed countries of the region was dominated by the continuing weakness of the Japanese economy. Japan experienced its third recession in the last 10 years and unemployment reached its highest level since 1953. The prospects for 2002 remain bleak, indicating another output contraction. Australia and New Zealand were relatively less affected by the global slowdown. Through a mixture of measures to raise domestic demand, a global upturn and progress with structural reforms, both countries should see growth in 2002 at, or near, the pace achieved in 2001.

II. Policy challenges

17. The dramatic suddenness of the 2001 global slowdown, further aggravated by the events of 11 September, poses a major challenge for all economies in the ESCAP region. Slow growth in 2001 and a hesitant recovery in 2002 will almost certainly have an adverse social impact through higher unemployment and the constrained capacity of Governments to address emerging social problems and alleviate poverty through higher public expenditure. However, there is some leeway available in a number of economies of the region to tackle the emerging issues and problems because of the benign inflationary environment and comfortable external position in the form of current account surpluses and stabilized levels of foreign debt. Against this background, stronger policy initiatives can be taken to enhance growth in the short run and mitigate the effects of the current slowdown in the medium term. The implications are discussed in the following paragraphs.

18. Regional economic recovery in 2002 and beyond is essentially predicated upon a significant improvement in the external environment, supported by appropriate domestic policy measures. However, the varying characteristics of each subregion suggest that policy approaches would need to be conceived in a more nuanced way in order to reflect the differences between and within the various subregions or within a particular group of countries, for instance, the least developed countries.

19. At the national level, most Governments would need to implement measures to preserve or enhance the momentum of growth through counter-cyclical fiscal and monetary policies; the latter would take precedence where public debt was already at a high level. Rebalancing of taxation could also be undertaken to improve incentives for production and investment. Privatization provides a useful means to raise resources for increased public expenditure without incurring new debt. Higher public spending could provide important dividends in the form of faster or more equitable growth if carried out within the framework of a prudent, medium-term macroeconomic plan, say, on

infrastructure, especially in the rural areas, and on well-targeted social programmes.

20. It should be emphasized, however, that such a policy approach is not without some degree of risk. In particular, countries need to avoid the debt trap in which debt servicing begins to grow faster than government revenues. Thus, macroeconomic prudence is of critical importance. Low interest rates and low inflation provide some short-term room for policy manoeuvring but would need to be balanced against the longer-term objectives of fiscal consolidation and stabilizing public debt. Another risk is that of creating new spending commitments which may not be sustainable in the long term.

21. At the same time, Governments should reiterate their commitment to addressing and resolving the many challenges involved in reforming the financial and corporate sectors and to improving transparency and governance. It is a truism that healthy financial systems are a sine qua non for stable, broad-based recovery. Decisive action to deal with the problem of non-performing loans and to restructure corporate balance sheets requires changes in the socio-economic milieu as much as changes in the law and the availability of additional financial resources. Progress would naturally be difficult and slow in this area, but reform efforts need to be sustained or made more robust, as the case may be.

22. In the area of trade, it is imperative that countries avoid taking restrictive measures in the current situation and thus risking a downward spiral in output. In this connection, the onus lies on both developed and developing countries. Indeed, developed countries should accelerate the implementation of their commitments on trade liberalization, especially in textiles and agricultural commodities. Developing countries could increase the flow of trade by enhancing trade facilitation, such as through more streamlined customs clearance procedures. Individual countries could improve their external competitiveness significantly through lower trade transaction costs and better access to market information.

23. Certain policy initiatives could be promoted at the regional level. The regional perspective on sustainable development, adopted at Phnom Penh in November 2001, is a good example. Greater regional cooperation can offer a means for ESCAP economies to counter some aspects of the global slowdown. Not all subregions and countries are experiencing the present downturn to a similar degree. China and India are relatively immune, while Australia, New Zealand and the Republic of Korea are still growing at a reasonable rate. They could therefore provide a useful stimulus to other economies by partially offsetting the decline in external demand from within and outside the region. In this context, the ESCAP region as a whole could move forward with growth-enhancing trade agreements that boost both trade flows and investor confidence; China's intended participation in a free trade arrangement with the Association of South-East Asian Nations is a case in point.

24. Against this background, reform of the international financial architecture should not wait for international agreement. Some of its elements, such as additional liquidity support and monetary and financial market cooperation, can be implemented just as well at the regional or subregional level. The Chiang Mai Initiative is a pointer for other countries and subregions. Within this broad context, one matter merits careful consideration, namely, the role that the substantial reserves of over $800 billion held by countries in the region could play in helping to revive growth in the region over the next year or two.

25. At the international level also, steps need to be taken to soften the impact of the slowdown on the most vulnerable group of countries, the least developed countries and the Pacific island and landlocked economies. The enhancement of ODA flows, which are currently equivalent to only 0.22 per cent of the GNP of the developed countries, is an important objective. As an interim measure, the proposal that an explicit share of ODA be earmarked for the least developed countries is worthy of consideration by the donor countries. Simultaneously, the World Bank and regional development institutions should give urgent consideration to speeding up the flow of disbursements to counter the economic slowdown. Another issue of ongoing importance to the least developed countries is the objective of granting duty-free, quota-free market access in developed countries for products originating in least developed countries as reiterated in the Doha Ministerial Declaration of November 2001. There should be more visible progress in this regard in 2002.

26. Furthermore, following the 11 September events, there is a pressing need to provide assistance for those countries that are experiencing unexpected declines in service receipts, particularly earnings from tourism,

simultaneously with higher insurance and security costs. In this regard, the International Monetary Fund's Compensatory and Contingency Financing Facility, although primarily meant for meeting shortfalls in commodity receipts, could be extended as an option to cover unexpected shortfalls in earnings from services, such as tourism receipts.

27. Finally, from a general perspective, it is clear that the content of growth is as important as its pace. All Governments should continue to stress the need to preserve and promote social cohesion, reduce poverty and ensure environmental integrity, which are critical preconditions and parameters for stable, equitable and sustained long-term growth itself.

III. Feasibility of achieving the millennium development goals in Asia and the Pacific

28. The United Nations Millennium Declaration (see General Assembly resolution 55/2 of 8 September 2000) addresses vast challenges being faced by mankind and provides a broad policy agenda for the twenty-first century for collective action by all stakeholders. The millennium development goals are a key component of the Declaration and are aimed at ridding humanity of extreme poverty in all its manifestations. The goals embody a comprehensive approach and a coordinated strategy, tackling many problems simultaneously across a broad front. The goals are precise and time-bound, and provide a road map to achieve the declared objectives. Successes on the way can be a source of encouragement for countries and an incentive to further accelerate their efforts. Similarly, failures in other cases may lead to a rethinking of policies and renewed actions to achieve the desired targets on time.

29. With respect to the implementation status of selected millennium development goals, namely, the eradication of extreme poverty and hunger, the achievement of universal primary education, the promotion of gender equality and empowerment of women, the reduction of child mortality and the improvement of maternal health, the following preliminary conclusions can be drawn:

(a) The overarching goal is the eradication of extreme poverty. The target is to halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day (in terms of purchasing power parity). Based on past trends, the achievement of this target in the ESCAP region as a whole by 2015 may be possible, especially given the performance of East Asia (mainly China) and South-East Asia. However, South Asia and some individual countries in other subregions may not be able to attain the target. The current global downturn, if prolonged, could pose a downside risk in sustaining the past successes achieved in poverty reduction;

(b) Regarding hunger, the target is to halve, between 1990 and 2015, the proportion of people who suffer from hunger and malnutrition. Owing to a lack of reliable time-series data, a definitive statement on the possibility of achieving this target cannot be made;

(c) For universal primary education, the target is to ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling. This target is expected to be achieved by 2015;

(d) With respect to gender equality and the empowerment of women, the target is to eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015. It appears that the elimination of gender disparities in primary and secondary education combined may not be achieved in the region as a whole by 2005 as a result of slow progress, primarily in South Asia;

(e) The target on child mortality is to reduce the under-five mortality rate by two thirds, between 1990 and 2015. For the ESCAP region as a whole, progress at present seems slower than desired and achievement of the goal seems doubtful if current trends persist;

(f) On maternal health, the target is to reduce maternal mortality by three quarters, between 1990 and 2015. There is a lack of reliable time-series data to measure progress in achieving the target. As a result, it is very difficult to predict the outcome for this goal.

30. Lack of reliable data seriously constrains the review of the implementation of the millennium development goals. The collection of reliable and consistent time-series data for a large number of

countries clearly poses a major challenge. A two-step approach is needed to achieve the objective. First, all published and unpublished sources, particularly at the national level, should be explored to check the availability of the required data. It is possible that the required data may not exist at all in some countries. Second, such countries should be encouraged and helped to collect the necessary data. Technical assistance to the statistical departments of these countries should be extended for capacity-building. Moreover, the data usually available and analysed are national averages at the country level. The achievement of a goal at the national level does not necessarily imply its achievement in all regions of the country. Therefore, gathering data at the subnational level and by income groups becomes important.

31. On policy issues, it is self-evident that countries on the way to achieving the goals have to sustain their progress while others have to intensify efforts to achieve success. A number of policy initiatives can help in achieving the target of poverty reduction. These include pursuing economic growth and limiting income inequality to maximize the benefits of growth for the poor. Broad-based growth can be achieved through human resources development by providing social services, particularly education and health. Since most of the poor live in rural areas, the uplift of rural areas through the development of agriculture is particularly important. Promotion of small and medium-sized enterprises can generate much-needed employment opportunities for the poor. Countries suffering from high population pressure need comprehensive population policies. Target-oriented programmes are needed for the hard core poor unable to benefit from growth. Tackling widespread corruption can free enormous resources for the benefit of the poor.

32. The lesson learned from the 1997 economic crisis in the region is that maintaining macroeconomic stability is essential for securing economic growth and poverty alleviation. Developed countries need to remove trade barriers and provide debt relief. Equitable distribution of the gains of globalization among and within countries is important. Closer collaboration between all stakeholders, including government and civil society, is needed to achieve the goal of poverty alleviation. Many of these policy initiatives, supported by specific measures relevant to each goal, can help in achieving other millennium development goals as well.

33. A more rigorous analysis of the root causes of slow progress in achieving the targets in many countries is needed. Equally, an analysis of successful cases should also be carried out to draw appropriate policy lessons. In this regard, an in-depth and detailed analysis of strategies for achieving millennium development goals targets is being undertaken by ESCAP jointly with UNDP.

IV. Regional development cooperation in Asia and the Pacific

34. ODA flows to the ESCAP region in recent years (about one third of all such flows) have not returned to the levels of the early 1990s. Most of these flows are bilateral in nature, with Japan being the principal source of ODA for the region. Development assistance has tended to flow to countries where an environment supportive of ODA could be created. However, the poorest and least developed countries have not always received the level of assistance needed to enable them to take advantage of the trade preferences and concessions accorded to them. Although private capital flows to the region have increased significantly in the past decade, their volatility and concentration in a few countries continue to undermine reliance on them as a source of finance for sustained development.

35. Technical and economic cooperation among developing countries themselves, or South-South cooperation, has become a significant phenomenon in the ESCAP region. Some components of the ODA programmes of several developing countries in the region are now comparable in size and scope to those offered by traditional donors. The duality of their roles, both as aid recipients and donors, can foster effective partnerships between these countries and other ODA recipients where their first-hand experience provides unique benefits.

36. A more judicious convergence of donor interests and preferences and recipient capabilities in aid absorption needs to be achieved to maximize the impact of financial and non-financial ODA. Better coordination of aid programmes and projects

is also needed, but ways and means also need to be found to reduce administrative burdens, particularly in smaller recipient countries.

37. Effective coordination among developing country donors in the region and more traditional sources of ODA together with the local ownership of projects and programmes could generate considerable synergies and improve the effectiveness of ODA. A good example is provided by such modalities as third country training programmes conducted by local experts and consultants from developing countries but funded or sponsored by developed countries, directly or through multilateral institutions. Untying of aid is crucial to the success of these modalities.

38. The recognition of the special role of ODA in facilitating the attainment of the millennium development goals has been acknowledged in the target of 0.7 per cent of GNP set for donor countries. As an interim measure, a short-term target realizable in two or three years is for donor countries to double their current levels of ODA. Within this context, the least developed countries continue to merit special attention.